

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Honbridge Holdings Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **HONBRIDGE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

### **CONTINUING CONNECTED TRANSACTIONS — SALES FRAMEWORK AGREEMENT**

**Financial adviser to the Company**



長雄證券有限公司  
EVER-LONG SECURITIES COMPANY LIMITED

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



Lego Corporate  
Finance Limited  
力高企業融資有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “**Definitions**” of this circular.

A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the EGM to be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 16 November 2020, at 10:00 a.m.. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33rd Floor, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or adjourned meeting thereof should you so wish.

To ensure the health and safety of the attendees at the EGM, the Company intends to implement precautionary measures at the EGM including: (a) compulsory temperature checks at the entrance of the venue of the EGM; (b) attendees are required to bring their own surgical masks and those who had high temperature or not wearing surgical masks might be denied access to the venue of the EGM; (c) no corporate gift, refreshments or drinks will be provided at the EGM.

29 October 2020

## **CHARACTERISTICS OF GEM**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2017 First Sales Agreement”	the sales agreement dated 23 October 2017 entered into between Zhejiang Forever New Energy and Volvo Car in relation to the sales of ternary lithium-ion battery packs
“2017 Second Sales Agreement”	the sales agreement dated 25 October 2017 entered into between Zhejiang Forever New Energy and Zhejiang Geely Components in relation to the sales of ternary lithium-ion battery packs
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the GEM (Stock code: 8137)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the Independent Shareholders to consider and, if thought fit, approve the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Geely Automobile”	Geely Automobile Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board (Stock code: 175)
“Geely International”	Geely International (Hong Kong) Limited (吉利國際(香港)有限公司), a company incorporated in Hong Kong and is a substantial shareholder of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM

## DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders as to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders excluding Geely International, Zhejiang Geely, Mr. Li and their associates
“Latest Practicable Date”	22 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Main Board”	the main board of the Stock Exchange
“Mr. Li”	Mr. Li Shufu, a substantial shareholder of the Company who holds directly and indirectly approximately 19.83% interest in the Company and holds 91.08% equity interest in Geely International
“NEV”	new energy vehicle
“PRC”	the People’s Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Annual Caps”	the proposed annual caps for the Sales Framework Agreement for the period from 23 October 2020 to 22 October 2023
“RMB”	Renminbi, the lawful currency of the PRC

## DEFINITIONS

“Sales Agreements”	the 2017 First Sales Agreement and the 2017 Second Sales Agreement
“Sales Framework Agreement”	the sales framework agreement dated 28 September 2020 entered into between the Company and Zhejiang Geely in relation to the sales of ternary lithium-ion battery packs
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	United States of America
“US\$”	US dollar(s), the lawful currency of the United States of America
“Volvo Car”	Volvo Car Corporation, a limited liability company incorporated in Sweden and is a non-wholly owned subsidiary of Zhejiang Geely
“Zhejiang Forever New Energy”	浙江衡遠新能源科技有限公司, transliterated as Zhejiang Forever New Energy Co., Ltd.*, a limited liability company incorporated in the PRC and a non-wholly owned subsidiary held indirectly as to 52% by the Company
“Zhejiang Geely”	浙江吉利控股集團有限公司, transliterated as Zhejiang Geely Holding Group Co. Ltd*, a limited liability company incorporated in the PRC, which owns 100% equity interest in Geely International
“Zhejiang Geely Components”	浙江吉利汽車零部件採購有限公司, transliterated as Zhejiang Geely Automobile Parts & Components Stock Co., Ltd.*, a limited liability company incorporated in the PRC and is a non-wholly owned subsidiary of Zhejiang Geely
“Zhejiang Geely Group”	Zhejiang Geely and its subsidiaries, excluding Geely Automobile and its subsidiaries
“%”	per cent

\* *The English translation of the Chinese name is for identification purposes only and should not be regarded as the official English translation of such name.*

*If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.*

## LETTER FROM THE BOARD



### **HONBRIDGE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

*Executive Directors:*

Mr. HE Xuechu (*Chairman*)  
Mr. LIU Jian (*Vice Chairman and  
Joint Chief Executive Officer*)  
Mr. LIU Wei, William (*Joint Chief  
Executive Officer*)

*Non-Executive Directors:*

Mr. YAN Weimin  
Mr. ANG Siu Lun, Lawrence

*Independent Non-Executive Directors:*

Mr. CHAN Chun Wai, Tony  
Mr. MA Gang  
Mr. HA Chun

*Registered Office:*

P.O. Box 31119 Grand Pavilion  
Hibiscus Way  
802 West Bay Road  
Grand Cayman, KY1-1205  
Cayman Islands

*Principal Place of Business*

*in Hong Kong:*  
Unit 5402, 54th Floor  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

29 October 2020

*To the Shareholders*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTIONS — SALES FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 28 September 2020 in relation to, among others, the entering into of the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high performance ternary lithium-ion battery packs to Zhejiang Geely Group.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder. In this respect, Lego Corporate Finance Limited has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) information on the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder; (ii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation from the Independent Board Committee; and (iv) a notice of EGM.

### THE SALES FRAMEWORK AGREEMENT

References are made to the announcements of the Company dated 23 October 2017 and 25 October 2017 in relation to certain continuing connected transactions, namely the 2017 First Sales Agreement and the 2017 Second Sales Agreement between the Group and certain members of the Zhejiang Geely Group and the announcement and the circular of the Company both dated 13 June 2018 in relation to revision of annual caps for the Sales Agreements. The 2017 First Sales Agreement and the 2017 Second Sales Agreement will expire on 22 October 2020 and 24 October 2020 respectively.

On 28 September 2020 (after trading hours), the Company entered into the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery packs to Zhejiang Geely Group in accordance with the terms and conditions thereunder. Principal terms of the Sales Framework Agreement are set out below:

<b>Parties:</b>	(1) the Company; and (2) Zhejiang Geely
<b>Date:</b>	28 September 2020 (after trading hours)
<b>Term:</b>	From 23 October 2020 or the date on which the Independent Shareholders approve the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated therein (whichever is later) to 22 October 2023
<b>Subject matters:</b>	Pursuant to the Sales Framework Agreement, the Group shall supply high-performance ternary lithium-ion battery packs and related products to Zhejiang Geely and its associate but excluding Geely Automobile and its subsidiaries. The exact model and volume of goods purchased by Zhejiang Geely Group from the Group and the dates of delivery will be provided in separate purchase orders.



## LETTER FROM THE BOARD

**Pricing basis:** The price of goods under the Sales Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in separate purchase orders.

**Payment terms:** All transactions contemplated under the Sales Framework Agreement are satisfied in cash.

### HISTORICAL AMOUNTS FOR THE SALES AGREEMENTS

The annual caps approved by the Board (excluding value-added tax) in respect of (i) 2017 First Sales Agreement for the two years ended 31 December 2019 and for the period ended 22 October 2020 and (ii) 2017 Second Sales Agreement for the two years ended 31 December 2019 and for the period ending 24 October 2020:

	Existing annual caps			Historical actual revenue		
	For the year ended 31 December 2018 <i>RMB</i>	For the year ended 31 December 2019 <i>RMB</i>	For the period from 1 January 2020 to 22 October 2020 <i>RMB</i>	For the year ended 31 December 2018 <i>RMB</i>	For the year ended 31 December 2019 <i>RMB</i>	For the period from 1 January 2020 to 30 June 2020 <i>RMB</i>
2017 First Sales Agreement	178,000,000	278,000,000	251,000,000	74,810,000	157,000,000	59,700,000

	Existing annual caps			Historical actual revenue		
	For the year ended 31 December 2018 <i>RMB</i>	For the year ended 31 December 2019 <i>RMB</i>	For the period from 1 January 2020 to 24 October 2020 <i>RMB</i>	For the year ended 31 December 2018 <i>RMB</i>	For the year ended 31 December 2019 <i>RMB</i>	For the period from 1 January 2020 to 30 June 2020 <i>RMB</i>
2017 Second Sales Agreement	207,000,000	739,000,000	951,000,000	111,180,000	138,000,000	21,300,000

The Company confirmed that the consideration receivable by the Group under the Sales Agreements for the period commencing from 1 January 2020 until the date of the Latest Practicable Date, are within the relevant maximum caps.

## LETTER FROM THE BOARD

### Proposed Annual Caps for the Sales Framework Agreement

It is expected that for the period ending 31 December 2020, for the year ending 31 December 2021 and 2022 and for the period ending 22 October 2023, the Group is supplying high performance ternary lithium-ion battery packs and related products to Zhejiang Geely Group will not exceed the following respective amounts and such amounts have been set as the proposed caps for the relevant continuing connected transactions contemplated under the Sales Framework Agreement accordingly:

	<b>For the period from 23 October 2020 to 31 December 2020 RMB</b>	<b>For the year ending 31 December 2021 RMB</b>	<b>For the year ending 31 December 2022 RMB</b>	<b>For the period from 1 January 2023 to 22 October 2023 RMB</b>
Proposed Annual Caps	76,000,000	250,000,000	300,000,000	350,000,000

The Proposed Annual Caps were determined based on:

- (i) The estimated sales volume of high-performance ternary lithium-ion powered battery packs for the period ending 31 December 2020, for the years ending 31 December 2021 and 2022 and for the period from 1 January 2023 to 22 October 2023 respectively;

In assessing the determination of the estimated total sales volume to be conducted under the Sales Framework Agreement, the following factors have been taken into account:

- (a) The positive outlook for NEV market and the lithium-ion powered battery market in the coming years.

The sales of NEV is expected to increase in the coming years, mainly because of the tightening of vehicles gas emission requirements imposed by the government of different countries, provision of government grants or tax exemption and traditional vehicles manufacturers have set out their NEV road map and committed to launch more NEV models in the coming years.

## LETTER FROM THE BOARD

- (b) The supportive government policies for NEV market in the PRC

The PRC government has established certain policies to demonstrate its interest in promoting the development of NEVs. For instance in April 2020, the Ministry of Finance, the State Administration of Taxation and the Ministry of Industry and Information Technology jointly issued the Announcement on Exempting Vehicle Acquisition Tax for New Energy Vehicles to extend the current exemption on vehicle purchase tax for NEVs to the end of 2022 that was planned to phase out by the end of 2020. In addition, the PRC government has recently announced that it aims to have carbon dioxide emission peak around 2030 and go carbon neutral by 2060. In order to achieve this goal, a whole range of policies and plans will be implemented in relation to power industries and green energy, which is expected to help the development of the NEV market.

- (ii) The expected demand for the products to be provided by the Group pursuant to the Sales Framework Agreement which is with reference to the expected increasing sales orders from the Zhejiang Geely Group; and

Recently, Zhejiang Geely Group has performed well in the PRC market and Volvo Car, a brand under Zhejiang Geely Group and also a customer of the Group, has announced a global electrification strategy that every new Volvo car launched from 2019 onwards will have an electric motor and there are two major targets: 50% of sales volume of Volvo cars to be fully electric by 2025 and committed to putting one million electrified cars on the road by 2025. To fulfil the strategy, the expected total demand for ternary lithium-ion powered battery packs for the production from Zhejiang Geely Group will generally increase. The Group has supplied lithium batteries to popular car models of Zhejiang Geely Group and based on good business relationship with Zhejiang Geely Group, more sales orders are expected; and

- (iii) The current and forecast market price of high-performance ternary lithium-ion powered battery packs in the market.

The initial selling prices to be adopted under the Sales Framework Agreement were principally estimated with reference to the corresponding prices charged by other independent third party suppliers for comparable products in 2020. The selling prices are expected to decrease due to, among others, the enhancement in technology and the decrease in costs of raw materials.

Should the actual annual purchase amount exceed the above Proposed Annual Caps, the Company will revise the Proposed Annual Caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules. The annual caps after the period ending 22 October 2023 will be proposed at the suitable time in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

## **LETTER FROM THE BOARD**

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The transactions contemplated under the Sales Framework Agreement between the Group and Zhejiang Geely Group were entered into the ordinary and usual course of business of the Group. The Directors are of the view that securing such renowned customers can effectively improve the Group's financial performance and deliver a stable income to the Group given there will be different vehicle brands under Zhejiang Geely using the powered batteries. Furthermore, the Directors consider that the entering into of the Sales Framework Agreement which sets out the Proposed Annual Caps is constructive for the Group to sell the products and services thereunder, thereby benefiting the Group.

In view of the above-mentioned reasons and taking into account: (i) the estimated sales volume of high performance lithium-ion powered battery packs for the period from 23 October 2020 to 31 December 2020, the years ending 31 December 2021 and 2022, and the period from 1 January 2023 to 22 October 2023 respectively; (ii) the expected demand for the products to be provided by the Group pursuant to the Sales Framework Agreement; and (iii) the current and forecast market price of high performance ternary lithium-ion powered battery packs in the market, the Sales Framework Agreement was determined, and the Directors excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser, are of the view that the Sales Framework Agreement was entered in the ordinary course of the Group's business and on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties, and the terms and Proposed Annual Caps set out in the Sales Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **PRICING PRINCIPLES OF THE SALES FRAMEWORK AGREEMENT**

The price of products under the Sales Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in separate purchase orders. The price of products above would be set after making reference to the prevailing market price of same or substantially similar products from other independent third party lithium-ion powered battery manufacturers on normal commercial terms and in the ordinary course of business. Subject to any future change in the internal control system, the Group would conduct market research on a quarterly basis and gather relevant information to assess the prevailing market price of similar products. Details of relevant procedures are set out in the section headed "INTERNAL CONTROL MEASURES" of this letter. Products price will be reviewed quarterly to ensure that the price set is consistent with the prevailing market price of similar products and is no less favourable to the price of similar products offered to the independent third parties.

## **LETTER FROM THE BOARD**

After obtaining the quotations from the above third party suppliers, the sales team of the Group performs analysis against factors including but not limited to the general market supply and demand of the products, raw material costs, available production capacity and delivery time, etc. to determine the price ranges and ensure that the price ranges are not lower than the quotations offered by third party suppliers.

The Directors consider that the above methods and systems ensure that the transactions contemplated under the Sales Framework Agreement will be conducted on normal commercial terms without prejudice to the interests of the Company and its Shareholders.

### **INTERNAL CONTROL MEASURES**

In order to comply with the pricing basis of the Sales Framework Agreement and safeguard the interests of the Shareholders as a whole, the Company will take the following internal control measures:

The Group has formulated internal audit procedures to track, monitor and evaluate the transaction amounts under the Sales Framework Agreement on a quarterly basis, so as to ensure the Proposed Annual Caps are not exceeded.

To conduct the market research on the prevailing market price, the Group will collect market information and keep track of the latest changes in the industry, especially the selling prices of similar lithium-ion batteries through different sources, including but not limited to market quotations from other independent third party lithium-ion powered battery manufacturers, public available industry research reports issued by investment banks, securities firms or other authorities, news or information on an ongoing basis. The Group will also collect information regarding the profit margin and costs of raw materials in the market from popular websites and market research reports.

After obtaining the market information, the sales team of the Group performs analysis against factors including but not limited to the general market supply and demand of the products, raw material costs, available production capacity and delivery time etc. to determine the price and ensure that the price is not lower than the quotations offered to independent customers or not lower than those in the market. The price should be reviewed by the respective heads of sales department and finance department of the Group and approved by at least two executive Directors or non-executive Directors.

The sales department of the Group will check the relevant approval before changing the price and terms of the lithium-ion batteries to be sold under the Sales Framework Agreement. The lithium-ion batteries will be sold at prices no less favourable than the products available in the market.

The finance and accounting department of the Group will maintain a database, which is updated monthly, to save all the transaction pricing information under the Sales Framework Agreement and other market reference.

## LETTER FROM THE BOARD

If it is required to revise the selling price of the lithium-ion batteries, the sales and finance departments of the Group should hold a meeting to confirm and revise the selling price with reference to the market. The price should be reviewed and approved by at least two executive Directors or non-executive Directors.

The above internal control measures are supervised and monitored by the management of the Group to ensure the Sales Framework Agreement are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interests of the Company and its Independent Shareholders as a whole.

The Group will conduct assessment at least annually on the internal control measures for all continuing connected transactions to ensure such internal control measures have been adhered to and are effective.

The independent non-executive Directors will also conduct a review on all continuing connected transactions each year and confirm that the transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company will also engage its independent auditors to report on transactions under the Sales Framework Agreement each year. The independent auditors will review and confirm in the annual report whether transactions under the Sales Framework Agreement have been approved by the Board, are in compliance with the pricing policies of the relevant agreement governing the transactions, and have not exceeded the relevant Proposed Annual Caps.

The Board will consider the results from the above reviews and take action to further strengthen the internal control measures on all continuing connected transactions of the Group, where necessary.

### **RELIANCE ON ZHEJIANG GEELY AND ITS SUBSIDIARIES**

As disclosed in the annual report for the year ended 31 December 2019, the Group sold approximately HK\$178.4 million and HK\$156.9 million lithium-ion batteries to Volvo Car and Zhejiang Geely Components, respectively. As such, both Volvo Car and Zhejiang Geely Components, associates of Zhejiang Geely, accounted over 98% of revenue of the Group. The Group expects that the sales to companies under Zhejiang Geely will continue to count a significant portion of revenue in the foreseeable future.

The Group is able to manage customer concentration risk to ensure that entering into the Sales Framework Agreement would be in the interests of the Shareholders as a whole based on the following grounds:

#### **The Group is capturing the potential growth of the top NEV manufacturer**

The strategy of the Group is to get an advantage from the relations and cooperation with the world famous enterprise Zhejiang Geely, one of the top NEV manufacturers. The battery packs produced by Zhejiang Forever New Energy were provided to Volvo Car and Zhejiang

## LETTER FROM THE BOARD

Geely Components and assembled in premium car models such as Volvo XC40 PHEV, Volvo XC60 PHEV, S60 PHEV, S90 PHEV and Lynk & Co Lynk 01, 02, 03 PHEV. Batteries modules were also provided to Volvo Polestar 01 PHEV and XC90 PHEV. Becoming the main powered battery supplier of different popular selling vehicle brands under Zhejiang Geely enables the Group to capture the potential growth of the fast growing NEV market and gain valuable experience in the industry. It can also increase the chance for the Group to get potential orders from other world's mainstream automobile manufacturers in the future after proving the quality and safety of the lithium-ion batteries produced by the Group.

### **The industry landscape is dominated by a few players**

The global powered battery industry is currently dominated by a few major suppliers. According to the market research firm SNE Research on 5 October 2020, the top five powered battery manufacturers dominated approximately 78.3% of the global market share in the first eight months of 2020. In the PRC, according to Gaogong Industry Institute (高工產研鋰電研究所), the top ten powered battery manufacturers accounted for around 87.98% of the market share in 2019. The business relationship between the powered battery manufacturer and the NEV manufacturers is stable, making it not easy for the companies in the industry to break off reliance on a major supplier or customer. To secure stable supply, the major NEV manufacturers are eager to form joint ventures and sign large purchase agreements with the top powered battery suppliers. As such, the business model cannot be easily changed to reduce the reliance.

### **The reliance is mutual and complementary**

It takes months or years for developing, testing and matching for a powered battery to be used in a NEV. Before proceeding with mass production and for sale, detailed specification of each vehicle model (including powered batteries used) are required to be submitted by the NEV manufacturers to the Ministry of Industry and Information Technology in the PRC for approval, which takes months or years. As a strategic business partner, the Group has been involved in the above processes with Zhejiang Geely Group in recent years. The Group has established good working relationship with the Zhejiang Geely Group and is familiar with their procedures. The Directors believe that Zhejiang Geely Group cannot find substitute suppliers easily within a short period of time. The Zhejiang Geely Group also benefits from the stable supply of quality products and services of the Group. Therefore, the reliance is mutual and complementary to the Group and the Zhejiang Geely Group.

### **Customer concentration is not uncommon in the industry**

As the NEV industry is still in fast developing stage and is currently dominated by a few powered battery suppliers, customer concentration is not uncommon. For example, according to the prospectus dated 10 July 2020 of Farasis Energy (Gan Zhou) Co. Ltd., which is one of the leading powered battery supplier in the PRC, its top five customers accounted for approximately 99.78%, 99.77%, and 95.82% of its total sales from 2017 to 2019, respectively.



## LETTER FROM THE BOARD

### **The Group is capable of maintaining its revenue in light of the reliance**

It is expected that the sales of NEV in the PRC will keep increasing substantially in the coming years. On the other hand, top traditional vehicles manufacturers in the world will strengthen their development in the NEV sector. The Group believes the NEV and powered battery industry will expand significantly in the coming years and the Group is ready to become one of the key players.

### **The Group is making efforts to reduce the level of reliance**

Notwithstanding the above, the Group however is trying to reduce its reliance on Zhejiang Geely in the future, having taken the steps: (i) the Group continues to strengthen its sales team and research and development department; (ii) the Group gradually develops its products become more competitive to match with the requirements of different major automobile enterprises; and (iii) the Group also actively contacts potential customers from different segments and different countries to promote its products.

## **INFORMATION ON THE PARTIES**

### **Zhejiang Geely**

Zhejiang Geely is a limited company incorporated in the PRC and is principally engaged in the sales of automobiles and related parts and components wholesale and retail business.

### **The Group**

The Group is principally engaged in research and development and production of lithium-ion powered batteries for NEV and investment in mineral resources exploration and development.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. As such, the transactions contemplated under the Sales Framework Agreement are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Sales Framework Agreement are more than 5%, the Sales Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.



## LETTER FROM THE BOARD

### EGM

The EGM will be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 16 November 2020, at 10:00 a.m. to seek the Independent Shareholder's approval for the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 91.08% equity interest in Zhejiang Geely, Mr. Li and his associates are required to and will abstain from voting on the resolution to be proposed at the EGM for approving the above matter. Mr. Liu Jian and Mr. Ang Siu Lun, Lawrence, an executive Director and a non-executive Director respectively, are currently taking position in companies which Mr. Li has controlling interests. In order to avoid the perception of a conflict of interest, Mr. Liu Jian and Mr. Ang Siu Lun, Lawrence have abstained from voting on the board resolution in relation to the Sales Framework Agreement. At the EGM, votes will be taken by way of poll. To the best of the Director's knowledge, information and belief, having made all reasonable enquires, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A notice convening the EGM is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for use at the EGM is enclosed herewith. If you are not able to attend the EGM, you are requested to complete the proxy form and return it to the Company's share registrar, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

### CLOSURE OF THE COMPANY'S REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from 11 November 2020 (Wednesday) to 16 November 2020 (Monday) (both days inclusive), during which period no transfer of Shares of the Company will be registered. To be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on 10 November 2020 (Tuesday).

## LETTER FROM THE BOARD

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been formed to advise the Independent Shareholders as to whether the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), in accordance with the GEM Listing Rules. Such appointment has been approved by the Independent Board Committee.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 16 to 17 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from Independent Financial Adviser as set out on pages 18 to 33 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

### RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**Honbridge Holdings Limited**  
**Liu Wei, William**  
*Director and Joint Chief Executive Officer*

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.*



### **HONBRIDGE HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

29 October 2020

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTIONS — SALES FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 29 October 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, to advise you as to whether such terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to recommend whether or not the Independent Shareholders should approve the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 4 to 15 of this Circular and the letter from the Independent Financial Adviser set out on pages 18 to 33 of this Circular which contains its advice to us and Independent Shareholders in respect of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, and the additional information set out in the appendix to the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taking into account, among other things, the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the transactions contemplated under the Sales Framework Agreement are in the ordinary and usual course of business and the terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sales Framework Agreement, the Proposed Annual Caps and the transactions completed thereunder.

Yours faithfully,

**Mr. CHAN Chun Wai, Tony      Mr. MA Gang      Mr. HA Chun**  
*Independent Board Committee*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*



29 October 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs and Madams,

### **CONTINUING CONNECTED TRANSACTIONS — SALES FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 29 October 2020 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 28 September 2020 (after trading hours), the Company entered into the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery packs to Zhejiang Geely Group in accordance with the terms and conditions thereunder.

According to the Letter from the Board, Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International. Zhejiang Geely is therefore a substantial shareholder and a connected person of the Company. As such, the transactions contemplated under the Sales Framework Agreement are continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 19.07 of the GEM Listing Rules in respect of the Sales Framework Agreement are more than 5%, the Sales Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

The EGM will be held to seek approval from the Independent Shareholders for the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder. Given Zhejiang Geely indirectly holds 18.78% of the total issued shares of the Company through Geely International and Mr. Li holds 91.08% equity interest in Zhejiang Geely, Mr. Li and his associates are required to and will abstain from voting on the resolution to be proposed at the EGM for approving the above matters.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun, has been established to advise the Independent Shareholders in connection with the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the GEM Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder and to make recommendations as to, among others, whether the terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable, are normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect of the relevant resolution(s) at the EGM. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

During the past two years, save for the engagement in connection with the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, we had not been engaged by the Company for the provision of other services that would affect our independence. As at the Latest Practicable Date, save for the normal professional fees for our services provided to the Company in relation to the engagements described above, there were no other arrangements whereby we would receive any fees and/or benefits from the Group, therefore we consider such relationship would not affect our independence. We were not aware of any relationships or interests between us and the Group, Zhejiang Geely or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to our independence. We are independent under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have reviewed, inter alia, the announcement of the Company dated 28 September 2020, the Sales Framework Agreement, the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report 2020**”) and certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analyses, market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the transactions contemplated under the Sales Framework Agreement, the Proposed Annual Caps, and the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material changes (if any) as soon as possible.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise made to us by the Directors and the Management for which they are solely responsible, were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material respects as at the Latest Practicable Date and Shareholders will be notified of material changes (if any) of the information contained in the Circular. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business, affairs, operations, financial position or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.



## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In giving our recommendations with respect to the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

### **1. Reasons for and benefit of the entering into the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder**

Zhejiang Forever New Energy, being a 52% owned subsidiary of the Group, is a modern lithium-ion battery enterprise in Jinhua New Energy Automobile Industrial Park which includes functions such as research and development, production, testing and inspection, demonstration and service, and sales of lithium-ion battery and battery system. The Group is principally engaged in research and development and production of lithium-ion powered batteries for NEV, and investment in mineral resources exploration and development.

The sale of lithium batteries has consistently been a primary revenue contributor of the Group, which has substantially accounted for over 98% and over 97% of the Group's total revenue for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively. Based on the Interim Report 2020, the Group has been constantly negotiating and conducting products matching with major and new automobile manufacturers and potential new customers in the energy storage field. On 23 October 2017 and 25 October 2017, the Group entered into the 2017 First Sales Agreement and the 2017 Second Sales Agreement with Volvo Car and Zhejiang Geely Components, respectively, in relation to the sale and purchase of ternary lithium-ion powered battery packs. As a strategy to expand the NEV-related business, the Group shall continue to explore business opportunities with existing and potential new customers in the future.

The Zhejiang Geely Group is a global mobility technology group principally engaged in the sales of automobiles and related parts and components wholesale and retail business. The Zhejiang Geely Group has developed an international portfolio of brands including, among others, Volvo Car, Polestar and Lynk & Co, with each brand having its own distinct character, products and market positioning. In 2020, the Zhejiang Geely Group was listed on Fortune Global 500 (<https://fortune.com/global500/>) for the ninth consecutive year after its total revenue (including the revenue of Geely Auto and its subsidiaries) reached US\$47.8 billion in 2019, demonstrating its consistently strong revenue-generating ability. Considering the extensive business operations of Zhejiang Geely Group, the entering into of the Sales Framework Agreement could, on one hand, allow the Group to secure a source of revenue through the transactions to be conducted thereunder, and, on the other hand, allow the Group to leverage on the reputations of Zhejiang Geely Group and its brands, resulting in attracting new potential customers which shall ultimately help enhance returns to the Shareholders.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, we are of the view that the entering into of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole.

### 2. Principal terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder

On 28 September 2020 (after trading hours), the Company entered into the Sales Framework Agreement with Zhejiang Geely, pursuant to which the Group will supply high-performance ternary lithium-ion battery packs to Zhejiang Geely Group in accordance with the terms and conditions thereunder for a term of three years from 23 October 2020 to 22 October 2023.

The price of goods under the Sales Framework Agreement will be negotiated on an arm's length basis and determined in the ordinary course of business on normal commercial terms or on terms no less favourable to the Company than those provided to independent third parties and will be specified in individual purchase orders. Such price would be set after making reference to the prevailing market price of same or substantially similar products from other independent third-party lithium-ion powered battery manufacturers on normal commercial terms and in the ordinary course of business. Subject to any future changes in the internal control system, the Group would conduct market research on a quarterly basis and gather relevant information to assess the prevailing market price of similar products, details of relevant procedures of which are set out in the section headed "INTERNAL CONTROL MEASURES" of the Letter from the Board.

As at the Latest Practicable Date, the Group had not entered into any agreements with independent third parties in relation to the sale and purchase of powered battery packs of similar quality and attribute to those under the Sales Framework Agreement or the Sales Agreements. Accordingly, in assessing the fairness and reasonableness of the pricing terms of the Sales Framework Agreement, we have reviewed 67 sample invoices (the "**Sample Invoices**") issued for the transactions conducted under the Sales Agreements during the period from 1 January 2020 up to and including 22 October 2020 (i.e. the last effective day of the 2017 First Sales Agreement) (the "**Review Period**"), and compared the pricing terms under the Sample Invoices with those under three sets of sample invoices issued for the purchase of comparable powered battery packs conducted by different members of a key customer group of the Group (the "**Key Customer**") with their respective independent powered battery pack suppliers during the Review Period (the "**Independent Invoices**"), which were obtained by the Management on a best-effort basis. Considering (i) the Sales Framework Agreement covers all types of powered battery packs that had been sold under the Sales Agreement; (ii) the Review Period represents a recent period within the effective period of the Sales Agreements; and (iii) the underlying total revenue of the Sample Invoices has accounted for more than 25% of the total historical revenue generated from the Sales Agreement during the Review Period, we are of the view that the selection of the Sample Invoices is fair and reasonable for the purpose of our analysis. On the other hand, considering (i) the powered battery packs underlying the Independent Invoices are identical or comparable to those under the Sample Invoices; (ii) the review period under the Independent Invoices is

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

identical to that under the Sample Invoices; and (iii) different independent suppliers were involved under the Independent Invoices which, as confirmed by the Management, represented all independent major suppliers of the Key Customer which have collectively supplied, in terms of battery capacity, more than 80% of the comparable powered battery packs purchased by the Key Customer during the Review Period, we consider that the selection criteria of the Independent Invoices are fair and reasonable, and the Independent Invoices are justifiably fair and representative for the purpose of our analysis. Based on our review, the pricing terms under the Sample Invoices are no less favourable to the Group than those under the Independent Invoices.

For reference, we have further conducted research from the public domain regarding the price of the lithium-ion batteries in the PRC and made reference to an analysis report (the “**Market Analysis Report**”), namely 《寧德時代深度系列報告》 (the “In-depth Report on Contemporary Amperex Technology Co. Limited\*”) published by Kaiyuan Securities Co., Ltd (“**Kaiyuan Securities**”) (<https://www.kysec.cn/>) on 18 May 2020 which sets out the selling price of powered batteries of another lithium-ion batteries manufacturer in the PRC. We have, in such regard, assessed the background of Kaiyuan Securities from the public domain. Based on the official website of Kaiyuan Securities, headquartered in Shaanxi province and with 80 branches, Kaiyuan Securities is a company established in 1994 principally engaged in various businesses including but not limited to securities investment consulting and securities brokerage. In 2020, Kaiyuan Securities was listed as one of the fastest growing investment banks and one of the most potential investment banks in the PRC by New Fortune (<http://www.xcf.cn/>), a famous financial magazine, demonstrating its recognition within the industry. Considering the above and the publication date of the Market Analysis Report, which in our view is reasonably recent to reflect the latest market conditions of the NEV and the powered battery industries, we consider it fair and reasonable to make reference to the Market Analysis Report in conducting our analysis. Based on our review, the pricing terms under the Samples Invoices are no less favourable to the Group than the prevailing market price of powered batteries set out in the Market Analysis Report.

Accordingly, considering (i) the price of products under the Sales Framework Agreement shall be determined with reference to the prevailing market price of same or substantially similar products from other independent third-party lithium-ion powered battery manufacturers; (ii) the pricing terms under the Sample Invoices are no less favourable than those under the Independent Invoices and the Market Analysis Report; and (iii) the internal control measures in place to ensure compliance with the pricing principles of the Sales Framework Agreement, analysis of which are set out in the sub-section headed “3. Internal control measures within the Group” of this letter below, we are of the view that the terms of the Sales Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **3. Internal control measures within the Group**

The Company has established a series of internal control measures in order to ensure the compliance with the pricing principles of the Sales Framework Agreement. As set out in the Letter from the Board, among others, the Group keeps track of selling prices of similar lithium-ion batteries in the market through different sources including but not limited to market quotations from other independent third-party lithium-ion powered battery manufacturers and publicly available industry research reports on an ongoing basis, and the sales team of the Group performs analysis to determine the prices of the lithium-ion batteries to be sold under the Sales Framework Agreement, which shall be reviewed by the respective heads of sales department and finance department of the Group and approved by at least two executive Directors or non-executive Directors, and shall be not less favourable than those offered to independent customers or in the market. On the other hand, the finance and accounting department of the Group maintains a database of the transaction pricing information under the Sales Framework Agreement and other market references, which is updated on a monthly basis in order to keep up-to-date records of the relevant pricing information. In the event that any revisions to the selling prices offered under the Sales Framework Agreement are needed, a meeting shall be held among the sales department and the finance department to confirm and revise the selling prices with reference to the market price, and the proposed revised selling price shall be reviewed and approved by at least two executive Directors or non-executive Directors. The above internal control measures shall be supervised and monitored by the management of the Group to ensure the Sales Framework Agreement are conducted on normal commercial terms, in the ordinary course of business and will not be prejudicial to the interests of the Company and the Independent Shareholders as a whole. The Group will conduct assessments at least annually on the internal control measures for all continuing connected transactions to ensure that such measures have been adhered to and are effective. In addition to the above, it is also required by the GEM Listing Rules that annual review shall be conducted by the independent non-executive Directors and the independent auditors of the Company to confirm, among others, that the relevant transactions have been executed in accordance with the terms and/or pricing policies of the Sales Framework Agreement.

Having considered the above and that internal control measures will be implemented with clear lines of responsibilities, we are of the view that sufficient internal control and risk control measures will be in place within the Group to ensure the compliance with the pricing principles under the Sales Framework Agreement which, as analysed under the sub-section headed “2. Principal terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder” of this letter above, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**4. The Proposed Annual Caps**

Summarised in Table 1, 2 and 3 below are (i) the existing annual caps in respect of the 2017 First Sales Agreement for each of the years ended 31 December 2018 and 2019 and the period from 1 January 2020 to 22 October 2020, and historical actual revenue generated thereunder for each of the years ended 31 December 2018 and 2019 and the period from 1 January 2020 to 30 June 2020; (ii) the existing annual caps in respect of the 2017 Second Sales Agreement for each of the years ended 31 December 2018 and 2019 and the period from 1 January 2020 to 24 October 2020, and the historical actual revenue generated thereunder for each of the years ended 31 December 2018 and 2019 and the period from 1 January 2020 to 30 June 2020; and (iii) the Proposed Annual Caps in respect of the Sales Framework Agreement for each of the period from 23 October 2020 to 31 December 2020, the year ending 31 December 2021, the year ending 31 December 2022 and the period from 1 January 2023 to 22 October 2023 (the “**2023 Relevant Period**”) (collectively, the “**Relevant Period**”), respectively.

*Table 1: A summary of the existing annual caps and historical actual revenue under the 2017 First Sales Agreement*

	Existing annual caps			Historical actual revenue		
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the period from 1 January 2020 to 22 October 2020	For the year ended 31 December 2018	For the year ended 31 December 2019	For the period from 1 January 2020 to 30 June 2020
2017 First Sales Agreement	178,000	278,000	251,000	74,810	157,000	59,700

*Table 2: A summary of the existing annual caps and historical actual revenue under the 2017 Second Sales Agreement*

	Existing annual caps			Historical actual revenue		
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the period from 1 January 2020 to 24 October 2020	For the year ended 31 December 2018	For the year ended 31 December 2019	For the period from 1 January 2020 to 30 June 2020
2017 Second Sales Agreement	207,000	739,000	951,000	111,180	138,000	21,300

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

***Table 3: A summary of the Proposed Annual Caps under the Sales Framework Agreement***

	For the period from 23 October 2020 to 31 December 2020 <i>RMB'000</i>	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the period from 1 January 2023 to 22 October 2023 <i>RMB'000</i>
The Proposed Annual Caps	76,000	250,000	300,000	350,000

As shown in Table 3 above, the Proposed Annual Cap generally demonstrates an increasing trend throughout the period between 2021 and the 2023 Relevant Period.

As advised by the Management, the Proposed Annual Caps were determined primarily based on the estimated transaction amount under the Sales Framework Agreement during the Relevant Period, which were in turn derived from (i) the estimated sales volume of high-performance ternary lithium-ion powered battery packs under the Sales Framework Agreement during the Relevant Period, which shall be affected by, among others, the expected demand for the products to be provided by the Group pursuant to the Sales Framework Agreement; and (ii) the current and forecast market price of high-performance ternary lithium-ion powered battery packs.

***The estimated sales volume to be conducted under the Sales Framework Agreement***

Based on the calculations of the Proposed Annual Caps, it is expected that the estimated total sales volume to be conducted under the Sales Framework Agreement will, with the estimated total sales volume for the 2023 Relevant Period being considered on an annualised basis, experience an increasing trend throughout the period between 2021 and 2023, which is consistent with the trend of the Proposed Annual Caps. In assessing the determination of the estimated total sales volume to be conducted under the Sales Framework Agreement, we have primarily taken into account the factors below:

***(i) Future outlook of the NEV-related business and the lithium-ion powered battery market***

According to a research report named “Global EV Outlook 2020” published in June 2020 by the International Energy Agency (<https://www.iea.org/>), a Paris-based autonomous intergovernmental organisation, the global sales of electric cars has been increasing significantly at a compound annual growth rate of approximately 40.03% from 2015 and reached 2.1 million cars in 2019, of which a substantial portion of approximately 59.52% was accounted for by the PRC market.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the beginning of 2020, despite the outbreak of the COVID-19 epidemic has adversely affected the demand for electric vehicles, the market has been generally recovering recently. For instance, following the largest decline in the electric vehicles sales in February 2020, electric vehicles sales in the PRC rebounded subsequently throughout the year. Further, the largest European car markets combined (which include France, Germany, Italy and the United Kingdom) achieved a growth in sales of electric vehicles during the first four months of 2020 as compared to the same period in 2019. As suggested in the research report named “Electric Vehicle Outlook 2020” published in September 2020 by BloombergNEF (<https://about.bnef.com/>) (the “**Bloomberg Report**”), a well-known privately held financial software, data and media company headquartered in the United States, it is forecasted that the global passenger kilometres to be travelled shall generally improve from 2021 onwards, and the global electric vehicle sales would generally exhibit an increasing trend over the next few years in spite of the multiple-wave COVID-19 epidemic.

On the other hand, it is suggested that the surge in demand for vehicles including plug-in hybrid vehicles is anticipated to foster the adoption of lithium-ion batteries, thereby driving the growth of the global market. With reference to a research report named “Lithium-ion Battery Market by Component, End-use Industry and Industrial: Global Opportunity Analysis and Industry Forecast, 2019–2027” published in April 2020 by Allied Analytics LLP (<https://www.alliedmarketresearch.com/>), which provides business insights and market research reports to large as well as small and medium-scale enterprises, the global lithium-ion battery market was valued US\$36.7 billion in 2019, and is projected to reach US\$129.3 billion by 2027 at a compound annual growth rate of 18.0% from 2020 to 2027.

The PRC government has established certain policies to demonstrate its interest in promoting the development of NEV. Based on 《關於完善新能源汽車推廣應用財政補貼政策的通知》 (“The Notice on Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles\*”) (<http://www.gov.cn/>) jointly published by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the Development and Reform Commission of the PRC as well as the relevant interpretation (<http://www.gov.cn/>) published by the Ministry of Finance of the PRC on 23 April 2020, electrification shall be the future direction of transformation and upgrading of the automobile industry, and it is necessary to continue fiscal and taxation policy support to maintain a good development momentum and enhance the competitiveness of the PRC automobile industry. Given the above and in order to stimulate the NEV consumption amid the COVID-19 epidemic, the State Council of the PRC decided to extend the subsidy policy for the purchase of NEV, which is expected to help stimulate the consumption of NEV and accordingly lithium-ion batteries in the future.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, notwithstanding the adverse impacts brought by the outbreak of COVID-19 epidemic since the beginning of 2020, the NEV market has been gradually recovering and facilitated by, among others, the supportive government policies, it is expected that the prospects of the NEV market and accordingly the lithium-ion powered battery market will be generally positive in the coming years.

*(ii) The expected demand for the products to be provided under the Sales Framework Agreement*

Based on our discussions with the Management, the ternary lithium-ion powered battery packs under the Sales Framework Agreement are intended to be used by certain brands of the Zhejiang Geely Group including Volvo Car, Polestar, Lynk & Co and an unnamed brand (“**Brand A**”) — for the production of plugin-hybrid-electric vehicles (“**PHEV**”) of certain models (respectively, the “**Volvo Models**”, the “**Polestar Model**”, the “**Lynk & Co Models**” and the “**Brand A Model**”), and the expected total demand throughout the Relevant Period, which is anticipated to be primarily used for the production of the Volvo Models and the Brand A Model, was estimated with reference to the respective development of the automobile business of such brands and/or the respective development plans of such models.

### The Volvo Models

Based on the calculations of the Proposed Annual Caps, it is expected that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Volvo Models will generally increase throughout the period between 2021 and 2023 (on an annualised basis).

According to our independent research conducted from the public domain, Volvo Car (<https://www.volvocars.com/>) was founded in 1927 and is one of the world’s renowned automobile manufacturers. Based on the annual report of Volvo Car for 2019, total number of global retail sales increased year-on-year by approximately 9.8% to 705,452 units in 2019, representing the sixth consecutive year of its record sales and passing the 700,000 mark. According to the interim report of the Volvo Car for the six months ended 30 June 2020, affected by the outbreak of the COVID-19 epidemic during which several manufacturing plants of Volvo Car had been temporarily closed for weeks, total number of global retail sales of Volvo Car group for the reporting period decreased as compared to the previous corresponding period, while the PRC continued to be Volvo Car’s largest market which accounted for approximately 24.4% of its global retail sales. Despite the above, Volvo Car recovered gradually from the COVID-19 epidemic with all of its factories having resumed production by June 2020, save for the manufacturing plant in Charleston, the United States. With reference to the press released by Volvo Car, total monthly global sales of Volvo Car group as well as its sales in certain markets including the PRC in July, August and September 2020 have increased as compared to the respective corresponding periods in 2019, demonstrating a general recovery in the business performance of Volvo Car.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Volvo Car has been consistently showing its commitment to electrification of vehicles. According to the official website of Volvo Car, it is targeted that all new models of Volvo Car released from 2019 will be available as either a hybrid or battery electric vehicle and by 2025, half of its global sales shall be generated from hybrid electric vehicles. It is noted that the Volvo Models include the consistently best-selling model of Volvo Car and the Volvo Models collectively accounted for more than 55% of Volvo Car's total number of global sales for each of 2019 and the six months ended 2020.

Considering, among others, (i) the generally positive outlook of the NEV market and the lithium-ion powered battery market as analysed in the above sub-section; (ii) the solid historical financial performance of Volvo Car in 2019 and its recent general recovery after the outbreak of the COVID-19 epidemic; (iii) the ongoing business focus and target of Volvo Car on electrification; and (iv) the consistently substantial contribution of the Volvo Models to Volvo Car's global car sales, we are of the view that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Volvo Models, which will generally increase throughout the period between 2021 and 2023 (on an annualised basis), is fair and reasonable.

### The Polestar Model

Based on the calculations of the Proposed Annual Caps, it is expected that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Polestar Model will generally decrease from 2021 through the end of the Relevant Period.

Based on the report of Volvo Car for 2019, "Polestar" is an electric performance car brand jointly owned by the Zhejiang Geely Group and the Volvo Car group. With reference to the official website of Polestar, in 2020, Polestar was recognised as the "Brand of the Year" in the Red Dot Design Award, an international design competition held by Red Dot GmbH & Co. KG (<https://www.red-dot.org/>). Launched in and commenced production in 2019, the Polestar Model was the first vehicle of Polestar which offered the longest electric range for any PHEV at the time and has won several industrial awards. Currently, the Polestar Model is equipped with the ternary lithium-ion powered battery packs manufactured by the Group and as advised by the Management, it is estimated that Polestar shall put more focus on the production and sales of newer models which were launched recently or to be launched in the Relevant Period. We were also advised of the intended production plan of the Polestar Model and noticed that the plan is generally in line with the total demand for ternary lithium-ion powered battery packs for the production of the Polestar Model estimated under the Proposed Annual Caps.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering, among others, (i) the generally positive outlook of the NEV market and the lithium-ion powered battery market as analysed in the above sub-section; (ii) the estimated increasing focus of Polestar on the production and sales of newer models which were launched recently or to be launched in the Relevant Period and the generally consistent intended production plan of the Polestar Model, we are of the view that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Polestar Model, which will generally decrease from 2021 through the end of the Relevant Period, is fair and reasonable.

### The Lynk & Co Models

Based on the calculations of the Proposed Annual Caps, it is expected that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Lynk & Co Models will generally decrease from 2021 through the end of the Relevant Period.

According to the interim report of Geely Automobile for the six months ended 30 June 2020 (the “**Geely Automobile Interim Report**”), Lynk & Co is an automobile brand of Lynk & Co Investment Co., Ltd., which is in turn jointly owned by Geely Automobile, Volvo Car and the Zhejiang Geely Group. The Lynk & Co Models were launched in 2017 and 2018, after which other models were subsequently launched under the brand of Lynk & Co. For instance, based on the Geely Automobile Interim Report, another new cross-over model of Lynk & Co was successfully launched in May 2020 and a brand new compact and sporty utility vehicle model was scheduled to be launched in the second half of 2020. Further, according to a press release of the Zhejiang Geely Group published in June 2020, the Volvo Car group, including its strategic affiliates Polestar and Lynk & Co. International, were establishing a strategic partnership with Waymo, a world leader in fully self-driving technology development which possesses level 4 autonomous drive technology. It is expected that the companies will first work together with the intention to integrate Waymo’s fully self-driving technology, the Waymo Driver, into an all-new mobility-focused electric vehicle platform for ride-hailing services. As advised by the Management, it is estimated that Lynk & Co shall put more focus on the production and sales of newer models which were launched recently or to be launched in the Relevant Period. We were also advised of the intended production plan of the Lynk & Co Models and noticed that the plan is generally in line with the total demand for ternary lithium-ion powered battery packs for the production of the Lynk & Co Models estimated under the Proposed Annual Caps.

Considering, among others, (i) the generally positive outlook of the NEV market and the lithium-ion powered battery market as analysed in the above sub-section; (ii) the estimated increasing focus of Lynk & Co on the production and sales of newer models which were launched recently or to be launched in the Relevant Period; and (iii) the generally consistent intended production plan of the Lynk & Co Models, we are of the view that the estimated total demand for ternary

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

lithium-ion powered battery packs for the production of the Lynk & Co Models, which will generally decrease from 2021 through the end of the Relevant Period, is fair and reasonable.

### The Brand A Model

Based on the calculations of the Proposed Annual Caps, it is expected that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Brand A Model will first be initiated in 2021 then generally increase throughout the remaining Relevant Period.

Brand A, which is wholly owned by the Zhejiang Geely Group, is a global manufacturer and retailer of purpose-built commercial electric vehicles including PHEV. Based on the official website of Brand A, the vehicle series, to which the Brand A Model shall belong, was launched in Japan in early 2020 and has been gaining further demand in Europe recently. It is targeted by Brand A to further expand its exposure and be in more than 20 markets by the end of 2021. As advised by the Management, the Group has been conducting ongoing discussions with Brand A regarding the cooperation. We were also advised of the intended production plan of the Brand A Model, and noticed that the plan is generally in line with the trend of the total demand for ternary lithium-ion powered battery packs for the production of the Brand A Model estimated under the Proposed Annual Caps.

Considering, among others, (i) the generally positive outlook of the NEV market and the lithium-ion powered battery market as analysed in the above subsection; (ii) the recent development of the relevant vehicle series of Brand A in other countries and Brand A's business target to expand its market in the near future; and (iii) the generally consistent intended production plan of the Brand A Model, we are of the view that the estimated total demand for ternary lithium-ion powered battery packs for the production of the Brand A Model, which will first be initiated in 2021 then generally increase throughout the remaining Relevant Period, is fair and reasonable.

### *(iii) Expected production capacity of Zhejiang Forever New Energy*

According to the Interim Report 2020, the production plant of Zhejiang Forever New Energy is designed to possess a maximum production capacity of approximately 2,000,000 kilowatt-hour ternary lithium-ion batteries annually. The first 500,000 kilowatt-hour production line has commenced mass production since the second quarter of 2018. The fully automatic production line adopts a state-of-the-art design and technologies for producing pouch type cells and the product testing centre was completed in December 2019. The time for installation of the new production line will be decided based on the market demand and development strategy.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the expected operation schedule of the production lines, it is noted that the production capacity of Zhejiang Forever New Energy will remain unchanged throughout the Relevant Period and will be adequate to meet the estimated sales volume to be conducted under the Sales Framework Agreement throughout the Relevant Period.

In light of the above, we are of the view that the estimation of the sales volume to be conducted under the Sales Framework Agreement is fair and reasonable.

### *The estimated selling prices to be charged under the Sales Framework Agreement*

Based on our review, we noticed that for the battery packs which were previously provided under the Sales Agreements, the estimations of the selling prices to be adopted under the Sales Framework Agreement for the period between 23 October 2020 to 31 December 2020 were made on the terms generally comparable to those under the Sample Invoices, and are no less favourable than the corresponding selling prices under the Independent Invoices, which is consistent with the pricing principles stipulated under the Sales Framework Agreement. As for the battery packs which are new products and intended to be first ordered by the Zhejiang Geely Group from the Group during the Relevant Period, the initial selling prices to be adopted under the Sales Framework Agreement were principally estimated with reference to the corresponding prices recently offered from independent suppliers to the Key Customer in 2020, which are generally expected to decrease thereafter as further analysed below, and are no less favourable than the then estimated prevailing market prices arrived at therefrom.

It is noticed that for a majority of the intended PHEV models of the Zhejiang Geely Group, the estimated selling prices of the relevant ternary lithium-ion powered battery packs to be adopted under the Sales Framework Agreement are expected to decrease gradually throughout the Relevant Period. As advised by the Management, it is a common phenomenon that the average selling price of powered battery packs will decrease as time passes due to, among others, the enhancement in technology and the decrease in costs of raw materials. In this regard, we have further conducted research from the public domain and obtained consistent insights. According to the Market Analysis Report, the prices of powered battery packs have been decreasing from 2014 to 2019. As suggested in the Bloomberg Report, the volume-weighted lithium-ion battery pack prices have been decreasing since 2010 up to 2019, and it is expected that the prices shall continue to fall until at least 2029. In light of the above, it is expected that the estimated selling price to be charged under the Sales Framework Agreement is fair and reasonable.

In light of the foregoing, we are of the view that the determination of the Proposed Annual Caps is fair and reasonable.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**RECOMMENDATIONS**

Having considered the above principal factors and reasons, we are of the view that the terms of the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are fair and reasonable; and the Sales Framework Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Billy Tang**  
*Managing Director*

*Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the corporate finance advisory profession.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and the chief executives of the Company interests and short positions in shares, underlying shares or debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in the ordinary shares of HK\$0.001 each of the Company

Number of directors	Number of shares in the Company			Total	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
HE Xuechu	57,939,189	22,460,000	4,065,000,000 (Note 1)	4,145,399,189	42.07
LIU Wei, William	9,002,000	—	—	9,002,000	0.09
YAN Weimin	30,000,000	—	—	30,000,000	0.30
CHAN Chun Wai, Tony	1,000,000	—	—	1,000,000	0.01

Note:

- The 4,065,000,000 shares were held by Hong Bridge Capital Limited (“Hong Bridge”), Mr. HE Xuechu is the controlling shareholder and director holding 51% equity interest of Hong Bridge.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their associates had, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under the provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests and short positions in the shares and underlying shares of the Company**

As at the Latest Practicable Date, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

**Long positions of Substantial Shareholders in the ordinary shares of HK\$0.001 each of the Company**

Name of shareholder	Number of shares in the Company			Total number of shares held	Approximate percentage of shareholding (%)
	Beneficial owner	Interest of spouse	Interest of controlled corporation		
Hong Bridge <i>(Note 1)</i>	4,065,000,000	—	—	4,065,000,000	41.25
FOO Yatyan <i>(Note 2)</i>	22,460,000	4,122,939,189	—	4,145,399,189	42.07
LI Xing Xing	—	—	4,065,000,000 <i>(Note 3)</i>	4,065,000,000	41.25
Geely International (Hong Kong) Limited	1,850,675,675	—	—	1,850,675,675	18.78
Zhejiang Geely Holding Group Co., Ltd. <i>(Note 4)</i>	—	—	1,850,675,675	1,850,675,675	18.78
LI Shufu <i>(Note 5)</i>	103,064,000	—	1,850,675,675	1,953,739,675	19.83

*Notes:*

1. The 4,065,000,000 shares were held by Hong Bridge. Mr. HE Xuechu is the controlling shareholder and director holding 51% equity interest of Hong Bridge.
2. Ms. FOO Yatyan is the spouse of Mr. HE Xuechu.
3. Mr. LI Xing Xing holds 30.8% equity interest of Hong Bridge.
4. Zhejiang Geely Holding Group Co., Ltd. holds 100% equity interest of Geely International (Hong Kong) Limited.
5. Mr. LI Shufu is the controlling shareholder holding 91.08% equity interest of Zhejiang Geely Holding Group Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**(c) Share Option Scheme**

Particulars of the outstanding share options granted under the share option scheme adopted by the Company on 21 May 2012 were as follows:

Category of participant	Number of share options outstanding as at Latest Practicable Date	Date of grant of share options	Exercise period of share option	Exercise price per share option	Price immediately preceding the grant date of share options
					(Note a)
				HK\$	HK\$
Employee	<u>8,750,000</u>	14/05/2015	15/05/2015–14/05/2023	2.61	2.55
Total	<u><u>8,750,000</u></u>				

*Notes:*

- (a) The price of the shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

### **3. INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

### **4. INTERESTS IN CONTRACTS**

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which a Director was materially interested and which were significant in relation to the business of the Group.

### **5. INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors, controlling Shareholders and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within one year without payment of compensation (other than statutory compensation).

### **7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

### **8. MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material adverse change in the overall financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.



## 9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group, nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, the expert named above did not have any direct or indirect interest in any assets which had since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 10. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from the date of this circular, up to and including the date of the EGM:

- a. the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- b. the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- c. the written consent referred to under the paragraph headed "Expert and Consent" in this appendix;
- d. the Sales Framework Agreement; and
- e. this circular.

**11. GENERAL**

- (a) The registered office of the Company is situated at P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman, KY1-1205, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is situated at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Yeung Ho Ming, who is a Certified Public Accountant in Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Liu Wei, William, an executive Director and joint chief executive officer of the Company.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (f) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



## HONBRIDGE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8137)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Honbridge Holdings Limited (the “**Company**”) will be held at Unit 5402, 54th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 16 November 2020, at 10:00 a.m. for the purpose of considering and, if thought fit, pass each of the following resolution with or without amendments as an ordinary resolution of the Company. Capitalised terms defined in the circular dated 29 October 2020 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

#### ORDINARY RESOLUTION

“**THAT**

- a) the Sales Framework Agreement (a copy of which is tabled at the meeting and marked A and initialed by the chairman of the meeting for identification purpose), the Proposed Annual Caps under the Sales Framework Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary be and is/are hereby authorised to execute all such other documents, instruments and agreements and to do all such acts or thing deemed by him/her to be incidental to, ancillary to or in connection with the Sales Framework Agreement, the Proposed Annual Caps and the matters and transactions contemplated in the Sales Framework Agreement.”

Yours faithfully

By Order of the Board

**Honbridge Holdings Limited**

**Liu Wei, William**

*Director and Joint Chief Executive Officer*

Hong Kong, 29 October 2020

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. For the purpose of determining shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 11 November 2020 to Monday, 16 November 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 10 November 2020.
2. Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. In light of the epidemic situation of COVID-19, shareholders may consider appointing the chairman of the EGM as his/her proxy to vote on the resolutions, instead of attending the EGM in person. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy needs not be a shareholder of the Company.
3. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjourned meeting thereof should he so wishes.
4. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholdings.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of Company at [www.8137.hk](http://www.8137.hk) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting.
6. To ensure the health and safety of the attendees at the EGM, the Company intends to implement precautionary measures at the EGM including: (a) compulsory temperature checks at the entrance of the venue of the EGM; (b) attendees are required to bring their own surgical masks and those who had high temperature or not wearing surgical masks might be denied access to the venue of the EGM; (c) no corporate gift, refreshments or drinks will be provided at the EGM.
7. The Board is closely monitoring the impact of COVID-19 in Hong Kong. Should any changes be made to the EGM arrangements, the Company will notify shareholders via an announcement to be posted on the Company's website ([www.8137.hk](http://www.8137.hk)) and the website of HKEx ([www.hkexnews.hk](http://www.hkexnews.hk)).

*As at the date of this notice, the Board consists of three executive Directors, Mr. He Xuechu, Mr. Liu Jian and Mr. Liu Wei, William, two non-executive Directors, Mr. Yan Weimin and Mr. Ang Siu Lun, Lawrence and three independent non-executive Directors, Mr. Chan Chun Wai, Tony, Mr. Ma Gang and Mr. Ha Chun.*